ANNEXURE A

NATIONAL ENERGY REGULATOR OF SOUTH AFRICA

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The Municipal Manager
Licensed Electricity Distributor

Dear Sir/Madam

GUIDELINE ON MUNICIPAL ELECTRICITY PRICE INCREASE FOR 2019/20

1. Annual Electricity Municipal Tariff Guideline

On 23 May 2019, the National Energy Regulator of South Africa (NERSA) approved a guideline increase for municipalities as set out below.

A guideline increase of 13.07% was approved, which is based on the following assumptions:

I. bulk purchase costs have increased by 15.63% in line with Eskom's electricity tariff increase to municipalities;
II. a consumer price index (CPI) of 5.2% as indicated in the forecast by the Bureau for Economic Research (BER) in March 2019;
III. salary and wage increases of CPI plus 1.5%, as indicated in the South African Local Government Association (SALGA) Circular No.6/2018: Salary and Wage Collective Agreement; and
IV. repairs and maintenance, capital charges and other costs have increased by the CPI.

The Decision and Reasons for Decision (RfD) document on the determination of the municipal tariff guideline and the revision of the benchmarks for the financial year 2019/20 is available on the NERSA website (www.nersa.org.za).

It is important to note that this guideline is not an automatic increase in tariffs and that all licensees are still required to apply to the Energy Regulator for approval of their tariffs in accordance with the provisions of Section 16(2) of the Electricity Regulation Act, 2006 (Act No. 4 of 2006) before implementation.

Regulator Members: Mr JRD Modise (Chairperson) Ms MMD Nkomo (Deputy Chairperson) *Mr C Forlee (Chief Executive Officer) Mr Y Adam *Ms N Maseti *Mr MW Mkhize Mr FK Sibanda
*Full-Time Regulator Members

NERSA is a Regulatory Authority established in terms of the National Energy Regulator Act, 2004 (Act No 40 of 2004)

2. Approved Conditions on the Analysis of the Tariff Reviews

I. In determining the average cost of supply, the following will be taken into account:
   a. bulk purchases;
   b. bad debts;
   c. reasonable energy losses;
   d. direct and indirect charges;
   e. salaries and wages; and
   f. capital charges.

II. Municipalities applying for an increase that is above the guideline will have to justify their increases to the Energy Regulator and the approval will be based on the following requirements:
   a. A detailed plan on the additional funds requested needs to be presented to NERSA as part of the motivation for the above-guideline increase. The municipality must provide a detailed revenue analysis whereby it indicates the revenue when using the approved guideline percentage increase versus the actual required revenue and the list of items, i.e. repairs and maintenance, where the extra funds will be allocated.
   b. The approved funds must be ring-fenced to ensure that the extra funds are utilised strictly for the identified projects or activities.
   c. Municipalities must report to NERSA on a six-monthly basis on how the additional funds are being utilised.
   d. Funds not utilised for the purpose for which they were approved will be clawed back in the following financial year.
   e. Municipalities may be required to make representations at NERSA's public hearings, the dates of which will be communicated to all stakeholders in due course.
   f. Any other requirements not indicated above may be considered by the Energy Regulator.

III. Municipalities must undertake Cost of Supply (COS) studies as it is a requirement of the Electricity Pricing Policy (EPP).

3. Municipal Tariff Benchmarks

The guideline, as determined above, resulted in the average municipal tariff benchmarks, including the Inclining Block Tariffs (IBTs) for 2019/20, being determined as detailed below.

3.1 Domestic (Block 1 – 4)

Table 1: Average Domestic Benchmarks

Domestic Inclining Block Tariffs (IBTs)			
Block 1 (0-50 kWh) c/kWh	Block 2 (51-350 kWh) c/kWh	Block 3 (351-600 kWh) c/kWh	Block 4 (>600 kWh) c/kWh
94.77 - 103.39	124.31 - 132.92	177.23 - 187.08	212.93 - 220.31

3.2 The alternative domestic Inclining Block Tariffs (IBT) benchmarks

3.2.1 Domestic Low – Energy Charges

Table 2: Average Domestic Low

Domestic Inclining Block Tariffs Low (IBTs)	
Block 1 (0-350 kWh) c/kWh	Block 2 (351-600 kWh) c/kWh
120.61 - 126.77	174.77 - 183.38

3.2.2 Domestic High - Energy Charges and Basic Charge

Table 3: Average Domestic High

Domestic High IBT	
Block 1 (0-350 kWh) c/kWh	Block 2 (351-600 kWh) c/kWh
116.92 - 124.31	172.32 - 179.70
Basic Charge (R/month)	

3.3 Domestic Non-IBT Benchmark

Table 4: Average Domestic Non-IBT Benchmarks

Domestic Non- IBT	
Domestic Low (400 kWh) c/kWh	Domestic High (800 kWh) c/kWh
132.92 - 141.54	167.39 - 173.54

3.4 Commercial Benchmarks

3.4.1 Commercial Prepaid Single - Phase Benchmarks

Table 5: Average Benchmarks for Commercial Prepaid Single Phase

Commercial- Prepaid (2 000 kWh)		
c/kWh		
221.54	-	230.16

3.5 Commercial Conventional

3.5.1 Commercial Low

Table 6: Average Benchmarks for Commercial Low Single Phase

Commercial Low (2 000 kWh)		
c/kWh		
205.54	-	211.70

3.5.2 Commercial Medium

Table 7: Average Benchmarks for Commercial Medium Single Phase

Commercial Medium (3 000 kWh)		
c/kWh		
198.16	-	206.77

3.5.3 Commercial High

Table 8: Average Benchmarks for Commercial High Single Phase

Commercial High (7 000 kWh)		
c/kWh		
174.77	-	183.38

3.6 Commercial Three-Phase

3.6.1 Commercial Prepaid

Table 9: Average Benchmarks for Commercial Prepaid Three Phase

Commercial Low (5500 kWh)		
c/kWh		
221.54	-	230.16

3.7 Commercial Conventional Three-Phase

3.7.1 Commercial Low

Table 10: Average Benchmarks for Commercial Low Three Phase

Commercial Low (5500 kWh)		
c/kWh		
174.77	-	182.15

3.7.2 Commercial Medium

Table 11: Average Benchmarks for Commercial Medium Three Phase

Commercial Medium (11500 kWh)		
c/kWh		
166.16	-	173.54

3.7.3 Commercial High

Table 12: Average Benchmarks for Commercial High Three Phase

Commercial High (22 000 kWh)		
c/kWh		
162.46	-	169.85

3.8 Agriculture Benchmarks

3.8.1 Agriculture Low

Table 13: Average Benchmark for Agriculture Low

Agriculture Low (2000 kWh)		
c/kWh		
238.77	-	246.15

3.8.2 Agriculture Medium

Table 14: Average Benchmark for Agriculture Medium

Agriculture Medium (3000 kWh)		
c/kWh		
226.46	-	233.85

3.8.3 Agriculture High

Table 15: Average Benchmark for Agriculture High

Agriculture High (7000 kWh)		
c/kWh		
193.23	-	200.62

3.9 Industrial Benchmark

3.9.1 Industrial Low

Table 16: Average Benchmark for Industrial Low

Industrial Low (43800 kWh)		
c/kWh		
200.62	-	210.47

3.9.2 Industrial Medium

Table 17: Average Benchmark for Industrial Medium

Industrial Medium (98550 kWh)		
c/kWh		
196.92	-	204.31

3.9.3 Industrial High

Table 18: Average Benchmark for Industrial High

Industrial High (730 000kWh)		
c/kWh		
177.23	-	184.61

3.10 Industrial Time-of-Use Benchmark

3.10.1 Time- of Use Megaflex

Table 19: Average Benchmark for Industrial Time of Use (TOU) Megaflex

Industrial TOU (1 323 MWh) Megaflex		
c/kWh		
145.24	-	152.61

3.10.2 Time – of Use - Nightsave

Table 20: Average Benchmark for Industrial Time of Use (TOU) Nightsave

Industrial TOU (1 323 MWh) Nightsave		
c/kWh		
214.15	-	221.53

4. Inclining Block Tariff (IBT) Structures

The Energy Regulator will consider IBT structures that are different from the NERSA structures.

5. Above-Guideline Increases

Municipalities that are applying for tariffs that are outside the approved benchmarks must justify such increases and the following additional information must be submitted:

I. the total number of customers per tariff category (municipalities that do not have an appropriate customer base must submit the full details of their customer profile as well as the associated revenues);
II. expected revenues per tariff category;
III. the forecast total sales;
IV. the average maximum demand per tariff (where applicable);
V. the average load factor (where applicable); and
VI. the load profile in percentages (both summer and winter, where applicable).

6. Inclining Block Tariffs & Domestic Non-IBT tariffs

It should be noted that the municipalities should adjust the IBTs by the municipal tariff guideline increase.

7. Commercial, Agriculture, Industrial Benchmarks and Industrial Time-of-Use (ToU)

The 2019/20 benchmarks were adjusted upwards by the municipal tariff guideline increase of 13.07%.

Municipalities that are experiencing challenges with regard to the implementation of IBTs, tariff structural changes and so forth, are requested to contact NERSA for assistance.

8. Timelines

It is important to note that municipalities should submit their tariff applications for the 2019/20 financial year as soon as possible. NERSA will endeavour to finalise all applications that are received with all the required information by 30 June 2019.

9. Conclusion

Should you require any further assistance with or clarity on the above, please do not hesitate to contact Ms Tabisa Nkopo or Ms Nthabiseng Mapitsing from NERSA's Electricity Pricing and Tariffs Department at 012 401 4669/4726 or per email at municguideline@nersa.org.za

NERSA looks forward to continuous engagement with all municipalities.

Yours sincerely

Chris Forlee
CHIEF EXECUTIVE OFFICER

Date: 27/5/2019